

AMADOR WATER AGENCY
FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007



**AMADOR WATER AGENCY
FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

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Independent Auditor's Report

To the Board of Directors
Amador Water Agency
12800 Ridge Road
Sutter Creek, California 95686

We have audited the accompanying financial statements of Amador Water Agency as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of Amador Water Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's minimum audit requirements for California special districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amador Water Agency as of June 30, 2008 and 2007 and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's office and State regulations governing special districts.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements. The schedule of net assets by rate area and the schedule of revenues, expenses and changes in net assets by rate area as of and for the year ended June 30, 2008 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of net assets by rate area and the schedule of revenues, expenses and changes in net assets by rate area have been subjected to the auditing procedures in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Leaf & Cole LLP

San Diego, California
October 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Amador Water Agency's ("Agency") financial performance provides an overview of the Agency's financial activities for the year ended June 30, 2008. Please read it in conjunction with the Agency's financial statements, which follow this section.

Financial Statements

This discussion and analysis provides an introduction and a brief description of the Agency's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The Agency's financial statements include four components:

- . Statement of Net Assets
- . Statement of Revenues, Expenses and Changes in Net Assets
- . Statement of Cash Flows
- . Notes to the Financial Statements.

The statement of net assets includes all the Agency's assets and liabilities, with the difference between the two reported as net assets. Net assets may be displayed in the categories:

- . Invested in Capital Assets, Net of Related Debt
- . Restricted Net Assets
- . Unrestricted Net Assets

The statement of net assets provides the basis for computing rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency.

The statement of revenues, expenses and changes in net assets presents information which shows how the Agency's net assets changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net assets measures the success of the Agency's operations over the past year and determines whether the Agency has recovered its costs through current services and other revenues.

The statement of cash flows provides information regarding the Agency's cash receipts and cash disbursements during the year. This statement may report cash activity in four categories:

- . Operations
- . Noncapital financing
- . Capital and related financing
- . Investing

This statement differs from the statement of revenues, expenses and changes in net assets because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Highlights

During the year ended June 30, 2008, the Agency's total net assets increased by \$4,355,531. The Agency's operating revenues increased by \$324,069 while operating expenses increased by \$539,091. Nonoperating revenues over nonoperating expenses decreased in the current year by \$2,015,680.

Financial Analysis of the Financial Statements

Net Assets

The Agency's net assets at June 30, 2008 totalled \$64,502,670 compared with \$60,147,139 at June 30, 2007. The increase in net assets can be attributed to an operating (loss) of \$(1,494,027), nonoperating revenues over nonoperating expenses of \$845,020 and capital contributions of \$5,004,538. The Agency's net assets are summarized as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
<u>Assets:</u>			
Current assets	\$ 6,420,223	\$ 7,718,861	\$(1,298,638)
Noncurrent Assets:			
Restricted assets	218,705	2,999,594	(2,780,889)
Capital assets	91,956,308	85,116,996	6,839,312
Other noncurrent assets	<u>307,900</u>	<u>349,412</u>	<u>(41,512)</u>
Total Assets	<u>\$98,903,136</u>	<u>\$96,184,863</u>	<u>\$2,718,273</u>
<u>Liabilities:</u>			
Current liabilities	\$ 2,108,861	\$ 1,965,319	\$ 143,542
Noncurrent liabilities	<u>32,291,605</u>	<u>34,072,405</u>	<u>(1,780,800)</u>
Total Liabilities	<u>\$34,400,466</u>	<u>\$36,037,724</u>	<u>\$(1,637,258)</u>
<u>Net Assets:</u>			
Invested in capital assets, net of related debt	\$58,486,177	\$53,349,512	\$5,136,665
Restricted	52,713	282,831	(230,118)
Unrestricted	<u>5,963,780</u>	<u>6,514,796</u>	<u>(551,016)</u>
Total Net Assets	<u>\$64,502,670</u>	<u>\$60,147,139</u>	<u>\$4,355,531</u>

Financial Analysis of the Financial Statements (Continued)

Revenues, Expenses and Changes in Net Assets

The Agency reported a change in net assets of \$4,355,531 for the year ended June 30, 2008, an increase of \$588,231 when compared to the year ended June 30, 2007. Operating revenues increased as a result of a rate increase. Operating expenses increased primarily due to increased depreciation expense from capital additions, as well as increased engineering labor. Nonoperating revenues and expenses decreased due to reductions in participation fees resulting from decreased development and a reduction in interest income resulting from drawing down cash and investments to fund capital projects. Contributed capital increased \$2,818,933 primarily from contributed facilities related to the Sierra West Business Park and the Amador Central Office Park. The following is a summary of the Agency's statement of revenues, expenses and changes in net assets:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Operating revenues	\$ 9,006,420	\$ 8,682,351	\$ 324,069
Operating expenses	<u>(10,500,447)</u>	<u>(9,961,356)</u>	<u>(539,091)</u>
Operating Revenue (Loss)	(1,494,027)	(1,279,005)	(215,022)
Nonoperating revenues and expenses	845,020	2,860,700	(2,015,680)
Capital Contributions	<u>5,004,538</u>	<u>2,185,605</u>	<u>2,818,933</u>
Change in Net Assets	4,355,531	3,767,300	588,231
Net Assets at Beginning of Year	<u>60,147,139</u>	<u>56,379,839</u>	<u>3,767,300</u>
Net Assets at End of Year	<u>\$64,502,670</u>	<u>\$60,147,139</u>	<u>\$4,355,531</u>

Capital Assets

At June 30, 2008 the Agency had invested \$114,330,526 in capital assets, including land, utility plant, source of supply, pumping plant, treatment plant, transmission and distribution, general plant and construction-in-progress. This amount represents an increase of \$9,462,958, over the prior year. Capital assets are summarized as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Land	\$ 3,482,326	\$ 3,482,326
Utility plant	10,783,477	12,229,853
Source of supply	1,033,069	641,469
Pumping plant	644,001	644,001
Treatment plant	22,331,470	21,544,601
Transmission and distribution	57,366,432	33,072,017
General plant	10,065,138	9,531,576
Construction-in-progress	<u>8,624,613</u>	<u>23,721,725</u>
Total Capital Assets	<u>\$114,330,526</u>	<u>\$104,867,568</u>

Capital Assets (Continued)

Capital asset additions are summarized as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Utility plant	\$ -0-	\$ 1,446,376
Land	-0-	1,992,126
Source of supply	391,600	39,531
Treatment plant	786,869	625,938
Transmission and distribution	24,294,415	4,390,718
General plant	533,562	499,763
Construction-in-progress	<u>8,984,077</u>	<u>24,456,944</u>
Total	34,990,523	33,451,396
Less: Capital assets completed through construction-in-progress	(24,081,189)	(8,610,963)
Capital asset deletions	<u>(1,446,376)</u>	<u>(10,784)</u>
Total Additions, Net	<u>\$ 9,462,958</u>	<u>\$24,829,649</u>

Long-Term Debt

At June 30, 2008 the Agency had \$32,389,567 in long-term debt, including the certificates of participation and notes payable. This amount represents an decrease of \$(520,628) when compared to the prior year due to scheduled principal payments. Long-term debt is summarized as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Certificates of participation	\$23,530,000	\$23,630,000
Notes payable	<u>8,481,092</u>	<u>8,904,739</u>
Total	32,011,092	32,534,739
Less: Unamortized discount and premium	448,049	461,806
Deferred amount on refunding	<u>(69,574)</u>	<u>(86,350)</u>
	<u>\$32,389,567</u>	<u>\$32,910,195</u>

Economic Factors and Budget

The Agency has a number of capital improvement projects scheduled for the year ended June 30, 2009, including a Mainline Extension to the City of Plymouth, completing the design of a new Regional Water Treatment Plant for AWS, the CAWP Gravity Supply Line Environmental Work, and the Gayla Manor Wastewater project. The Agency's Capital Improvement Program for the year ended June 30, 2009 is \$16,116,165 which is a 40% increase from the prior. The Agency's total operating budget for the year ended June 30, 2009 is \$11,114,115, which is a 6% increase compared to the adopted consolidated budget for the year ended June 30, 2008. The budget for the year ended June 30, 2009 did not allocate funding for any new positions and left two positions vacant. Excluding debt service, budgeted operating expense increased 1% from the year ended June 30, 2008.

Economic Factors and Budget (Continued)

Below is a historical look at water production and customer accounts by service area:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>% Increase/ (Decrease)</u>
<u>Water Production (000 Gals)</u>					
Tanner Plant	843,525	872,580	835,785	822,589	2.55%
Ione Plant	529,787	629,075	590,541	551,766	(3.98%)
Buckthorn Plant	354,773	390,415	355,291	356,232	0.41%
La Mel Heights Plant	7,002	6,625	6,288	6,002	16.66%
Lake Camanche Plant	<u>100,754</u>	<u>102,185</u>	<u>91,862</u>	<u>81,490</u>	23.64%
Total Production	<u>1,835,846</u>	<u>2,000,880</u>	<u>1,879,767</u>	<u>1,818,079</u>	

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>% Increase/ (Decrease)</u>
<u>Customer Accounts</u>					
Water Connections:					
Amador Water System	3,485	3,522	3,420	3,238	7.63%
Cawp Retail	2,630	2,617	2,620	2,582	1.86%
ID #3 - La Mel	59	59	59	53	11.32%
ID #7 - Lake Camanche	<u>735</u>	<u>723</u>	<u>725</u>	<u>693</u>	6.06%
Total Water Connections	<u>6,909</u>	<u>6,921</u>	<u>6,824</u>	<u>6,566</u>	
Wastewater Connections:					
Wastewater (Users)	299	291	290	269	11.15%
Wastewater (Standby)	107	116	113	135	(20.74%)
Lake Camanche (Users)	370	373	366	358	3.35%
Lake Camanche (Standby)	-0- *	*	53	59	*
Martell Areas	<u>174</u>	<u>170</u>	<u>160</u>	<u>153</u>	13.73%
Total Wastewater Customers	<u>950</u>	<u>950</u>	<u>982</u>	<u>974</u>	
Total Customers	<u>7,859</u>	<u>7,871</u>	<u>7,806</u>	<u>7,540</u>	

* The District approved Resolution No. 2005-36 which suspended the processing of any new applications for wastewater service or annexations for wastewater improvements in the Lake Camanche area.

Contacting the Agency's Financial Manager

This financial report is design to provide our citizens, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Amador Water Agency.

**AMADOR WATER AGENCY
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007**

ASSETS

	<u>2008</u>	<u>2007</u>
<u>Current Assets:</u> (Notes 1 and 2)		
Cash and cash equivalents	\$ 1,335,824	\$ 3,593,623
Investments	2,203,436	1,741,063
Accounts receivable:		
Current services	1,329,807	1,279,127
Other	304,774	468,635
Taxes	12,224	11,586
Grants receivable	1,036,052	413,775
Accrued interest receivable	6,752	33,416
Materials inventory	128,648	121,133
Prepaid expenses	<u>62,706</u>	<u>56,503</u>
Total Current Assets	<u>6,420,223</u>	<u>7,718,861</u>
<u>Noncurrent Assets:</u>		
<u>Restricted Assets:</u> (Notes 1, 2, and 3)		
Cash and cash equivalents	123,409	2,409,976
Investments	<u>95,296</u>	<u>589,618</u>
Total Restricted Assets	218,705	2,999,594
 Capital Assets (Notes 1, 4, and 5)	 91,956,308	 85,116,996
 <u>Other Noncurrent Assets:</u> (Note 1)		
Issuance costs, net of amortization	<u>307,900</u>	<u>349,412</u>
Total Noncurrent Assets	<u>92,482,913</u>	<u>88,466,002</u>
 TOTAL ASSETS	 <u>\$98,903,136</u>	 <u>\$96,184,863</u>

The accompanying notes are an integral part of the financial statements.

**AMADOR WATER AGENCY
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007**

LIABILITIES AND FUND EQUITY

	<u>2008</u>	<u>2007</u>
<u>Current Liabilities:</u> (Note 1)		
Accounts payable	\$ 895,142	\$ 1,110,246
Deposits	70,009	71,865
Accrued interest payable	165,992	174,149
Other payables	143,807	109,484
Current portion of long-term debt	<u>833,911</u>	<u>499,575</u>
Total Current Liabilities	<u>2,108,861</u>	<u>1,965,319</u>
<u>Noncurrent Liabilities:</u>		
Long-Term Debt: (Notes 1 and 5)		
Certificates of participation	23,908,475	24,005,456
Notes payable	<u>8,481,092</u>	<u>8,904,739</u>
Total	32,389,567	32,910,195
Less: Current portion above	<u>(833,911)</u>	<u>(499,575)</u>
Total Long-Term Debt	<u>31,555,656</u>	<u>32,410,620</u>
Other Noncurrent Liabilities: (Note 6)		
Caltrans advance	445,828	445,828
Retention payable	-0-	954,075
Compensated absences	<u>290,121</u>	<u>261,882</u>
Total Other Noncurrent Liabilities	<u>735,949</u>	<u>1,661,785</u>
Total Noncurrent Liabilities	<u>32,291,605</u>	<u>34,072,405</u>
Total Liabilities	<u>34,400,466</u>	<u>36,037,724</u>
<u>Commitments and Contingencies</u> (Notes 7 and 8)		
<u>Net Assets:</u>		
Invested in capital assets, net of related debt	59,120,913	53,349,512
Restricted	218,705	282,831
Unrestricted	<u>5,163,052</u>	<u>6,514,796</u>
Total Net Assets	<u>64,502,670</u>	<u>60,147,139</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$98,903,136</u></u>	<u><u>\$96,184,863</u></u>

The accompanying notes are an integral part of the financial statements.

AMADOR WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>Operating Revenues:</u>		
Current services	\$ 7,679,921	\$ 7,237,043
Other revenues	<u>1,326,499</u>	<u>1,445,308</u>
Total Operating Revenues	<u>9,006,420</u>	<u>8,682,351</u>
<u>Operating Expenses:</u>		
Administrative and general	3,261,302	3,231,733
Depreciation	2,623,646	2,246,622
Maintenance	1,827,851	1,838,840
Transmission and distribution	1,684,629	1,684,245
Engineering	470,056	342,414
Source of supply	340,805	310,495
Water treatment	<u>292,158</u>	<u>307,007</u>
Total Operating Expenses	<u>10,500,447</u>	<u>9,961,356</u>
Operating Revenue (Loss)	<u>(1,494,027)</u>	<u>(1,279,005)</u>
<u>Nonoperating Revenues and (Expenses):</u>		
Grant revenue	969,818	960,080
Participation fees	512,800	1,773,461
Taxes and assessments	464,042	431,012
Investment income	285,156	1,005,538
Other revenue	100,346	101,149
Gain on disposal of capital assets	-0-	94,216
Amortization	(44,531)	(44,533)
Interest expense	<u>(1,442,611)</u>	<u>(1,460,223)</u>
Total Nonoperating Revenues and (Expenses)	<u>845,020</u>	<u>2,860,700</u>
Income (Loss) Before Contributed Capital	(649,007)	1,581,695
<u>Contributed Capital</u>	<u>5,004,538</u>	<u>2,185,605</u>
Change in Net Assets	4,355,531	3,767,300
<u>Net Assets at Beginning of Year</u>	<u>60,147,139</u>	<u>56,379,839</u>
NET ASSETS AT END OF YEAR	<u>\$64,502,670</u>	<u>\$60,147,139</u>

The accompanying notes are an integral part of the financial statements.

**AMADOR WATER AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<u>Cash Flows From Operating Activities:</u>		
Cash received from customers	\$9,117,745	\$ 8,240,446
Cash payments to suppliers for goods and services	(4,141,300)	(3,990,230)
Cash payments to employees for services	(3,901,761)	(3,666,343)
Net Cash Provided by Operating Activities	<u>1,074,684</u>	<u>583,873</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(5,412,495)	(24,262,706)
Proceeds of long-term debt	-0-	600,000
Proceeds from sale of capital assets	-0-	105,000
Proceeds from grant revenue	347,541	306,624
Proceeds from participation fees	512,800	1,773,461
Principal paid on long-term debt	(523,647)	(429,500)
Interest paid on long-term debt	(1,450,768)	(1,456,527)
Receipts from taxes, assessments and other nonoperating income for capital improvements	<u>563,750</u>	<u>530,991</u>
Net Cash Used by Capital and Related Financing Activities	<u>(5,962,819)</u>	<u>(22,832,657)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investments	(3,386,935)	(1,914,121)
Proceeds from sale or maturity of investments	3,418,884	21,156,515
Interest on cash and investments	<u>311,820</u>	<u>1,020,803</u>
Net Cash Provided by Investing Activities	<u>343,769</u>	<u>20,263,197</u>
Net Decrease in Cash and Cash Equivalents	(4,544,366)	(1,985,587)
Cash and Cash Equivalents at Beginning of Year	6,003,599	<u>7,989,186</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$1,459,233</u>	<u>\$ 6,003,599</u>
<u>Cash and Cash Equivalents -</u>		
<u>Financial Statement Classification</u>		
Current assets	\$1,335,824	\$ 3,593,623
Restricted assets	<u>123,409</u>	<u>2,409,976</u>
Total Cash and Cash Equivalents - Financial Statement Classification	<u>\$1,459,233</u>	<u>\$ 6,003,599</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

AMADOR WATER AGENCY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>Reconciliation of Operating Income (Loss) to</u>		
<u>Net Cash Used by Operating Activities:</u>		
Operating revenue (Loss)	\$(1,494,027)	\$(1,279,005)
Adjustment to reconcile net operating loss to net cash		
provided by operating activities:		
Depreciation	2,623,646	2,246,622
(Increase) Decrease in:		
Accounts receivable - current services	(50,680)	(239,187)
Accounts receivable - other	163,861	(197,103)
Materials inventory	(7,515)	1,160
Prepaid expenses	(6,203)	(6,975)
Increase (Decrease) in:		
Accounts payable	(215,104)	(19,324)
Deposits	(1,856)	(5,615)
Other payables	34,323	56,819
Compensated absences	28,239	26,481
Net Cash Provided by Operating Activities	<u>\$1,074,684</u>	<u>\$ 583,873</u>
<u>Noncash Investing, Capital and Financing Activities:</u>		
Contribution of capital assets	<u>\$5,004,538</u>	<u>\$ 2,185,605</u>
Acquisition of capital assets through accounts payable	<u>\$ -0-</u>	<u>\$ 509,293</u>
Acquisition of capital assets through retentions payable	<u>\$ 954,075</u>	<u>\$ 802,762</u>
Amortization of discounts, premiums, and deferred amount on refunding	<u>\$ 44,531</u>	<u>\$ 44,533</u>

The accompanying notes are an integral part of the financial statements.

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 1 - Summary of Significant Accounting Policies:

The Amador Water Agency was formed under an act of the Legislature of the State of California, Chapter 2137, Assembly Bill No., 2629, approved by the governor on July 18, 1959. The Agency's territory of authority consists of Amador County. The Agency has the power to do any and every lawful act necessary in order that sufficient water may be available for any present or future beneficial use or uses of the lands or inhabitants within the agency, including, but not limited to, irrigation, domestic, fire protection, municipal, commercial, industrial, recreational, and all other beneficial uses and purposes. The Agency has the power to construct, operate and maintain works to develop hydroelectric energy, for use by the agency in the operation of its works or as a means of assisting in financing the construction, operation and maintenance of its projects. The Agency has the power to control the flooding and storm waters of the Agency and the flood and storm waters of streams that have their sources outside of the Agency, which streams and floodwaters flow in the Agency, and to conserve such waters for beneficial and useful purposes of said Agency. The Agency has the power to plan, finance, acquire, construct, operate, and maintain facilities for the collection, transmission, treatment, and disposal of sewage, waste, and storm water. Whenever any area within the Agency is provided with a sewer or storm drain system by the Agency, the Board by ordinance may declare the further maintenance or use of cesspools, septic tanks, or other local means of sewage disposal to be a public nuisance, and may require all buildings inhabited or used by human beings which are not more than three hundred (300) feet from such system or any extension thereof to be connected with the system.

A summary of the Agency's significant accounting policies follows:

Basis of Accounting

The Agency utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, revenues and expenses are recognized on an accrual basis of accounting. The Agency's books and records include a General Fund, the Amador Water System, the Central Amador Water Project, four Improvement Districts, a Wastewater Fund and the Amador Water Agency Financing Corporation. These funds have been combined in the accompanying statement of net assets, statement of revenues, expenses, and changes in net assets and statement of cash flows. All material interfund transactions have been eliminated.

The Agency has not elected to apply the option allowed in Paragraph 7 of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Activities" and as a consequence will continue to apply GASB Statements and interpretations.

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

Reporting Entity

The Amador Water Agency is considered a separate reporting entity. There are no component units of the Agency, as the Agency's Board has no oversight responsibility and there are no other agencies which are closely related for financial operations.

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgments.

Classification of Liabilities

Certain liabilities which are currently payable have been classified as noncurrent because they will be funded from restricted assets.

Revenue Recognition

The Agency recognizes revenue from current services and connection fees as it is earned. Taxes are recognized as revenue based upon amounts reported to the Agency by the County of Amador.

Investments

Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Materials Inventory

Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued at weighted average cost.

Interest

The Agency incurs interest charges on long-term debt. Interest totalling \$-0- was capitalized as a cost of construction for the years ended June 30, 2008 and 2007.

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

Capital Assets

Acquisitions of capital assets are recorded at cost. Contributed assets are recorded at their fair market value at the date of donation. Self-constructed assets are recorded at the amount of direct labor, material, certain overhead and interest costs.

Depreciation

Depreciation is calculated on the straight-line method over the following estimated useful lives:

	<u>Useful Life</u>
Utility Plant	40 - 50 years
Source of Supply	40 years
Pumping Plant	40 years
Treatment Plant	40 years
Transmission and Distribution	40 years
General Plant	5 - 40 years

Depreciation aggregated \$2,623,646 and \$2,246,622 for the years ended June 30, 2008 and 2007, respectively.

Bond Issuance Costs

Bond issuance costs are included in other noncurrent assets and totalled \$307,900 and \$349,412, net of accumulated amortization, as of June 30, 2008 and 2007, respectively. The costs are amortized on the straight-line method based on the estimated term of the related bond debt. Amortization of bond issuance costs totalled \$41,512 and \$41,513 for the years ended June 30, 2008 and 2007, respectively and is included in amortization expense.

Compensated Absences

Vested or accumulated vacation leave of the Agency is recorded as an expense and liability as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, "Accounting for Compensated Absences", no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Compensated absences totalled \$290,121 and \$261,882 at June 30, 2008 and 2007, respectively.

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

Risk Management

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Authority). The Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2008 the Agency participated in the self-insurance programs of the Authority as follows:

Property Loss - Insured up to \$100,000,000 per occurrence (total insurable value of \$21,781,835) with \$2,500 deductible for buildings, personal property, and fixed equipment, and a \$1,000 deductible on mobile equipment and licensed vehicles; the Authority is self-insured up to \$50,000 per occurrence and excess insurance coverage has been purchased. Boiler and machinery deductibles vary depending on the type of equipment.

General Liability - Insured up to \$50,000,000 per occurrence with no deductible; the Authority is self-insured up to \$1 million and excess insurance coverage has been purchased.

Auto Liability - Insured up to \$50,000,000 per occurrence with no deductible; the Authority is self-insured up to \$1 million per occurrence and excess insurance coverage has been purchased.

Fidelity Bonds - The Authority is self-insured up to \$100,000 per occurrence with a \$1,000 deductible.

Public Officials' and Employees and Omissions - Insured up to \$60,000,000 per occurrence; the Authority is self-insured up to \$1 million and excess insurance coverage has been purchased.

Workers' Compensation - Workers' compensation is insured up to statutory amount and employer's liability is insured up to \$4,000,000. The Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows the Agency considers all investment instruments purchased with a maturity of three months or less to be cash.

Note 2 - Cash and Investments:

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized for the Agency by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provision of the California Government Code or the Agency's investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Open Ended Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
LAIF	N/A	None	None

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 2 - Cash and Investments: (Continued)

Cash and investments held by the District were comprised of the following at June 30, 2008:

	Maturity in Years			2008 <u>Total</u>	2007 <u>Total</u>
	1 year or Less	1 - 5 Years	10 + Years		
Cash on hand	\$ 500	\$	\$	\$ 500	\$ 500
Cash in the California Local Agency Investment Fund (LAIF)	297,766			297,766	3,671,131
Open ended money market mutual funds	618,803			618,803	1,418,462
Deposits with financial institutions	542,164			542,164	913,506
Investments:					
Certificates of Deposit	1,173,279	1,030,157		2,203,436	1,496,500
United States Agency Securities				-0-	738,885
Guaranteed Investment Contract			95,296	95,296	95,296
Total Cash and Investments	<u>\$2,632,512</u>	<u>\$1,030,157</u>	<u>\$95,296</u>	<u>\$3,757,965</u>	<u>\$8,334,280</u>
Financial Statement Classification:					
Current:					
Cash and cash equivalents				\$1,335,824	\$3,593,623
Investments				2,203,436	1,741,063
Restricted:					
Cash and cash equivalents				123,409	2,409,976
Investments				95,296	589,618
Total Cash and Investments				<u>\$3,757,965</u>	<u>\$8,334,280</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2008.

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 2 - Cash and Investments: (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment type.

<u>Investment</u>	<u>Rating as of Year End</u>
Certificates of Deposit	Not Rated
LAIF	Not Required
Guaranteed Investment Contract	Not Required

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to the Agency's investment in a single issue.

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) the Agency will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 2 - Cash and Investments: (Continued)

Custodial Credit Risk (Continued)

As of June 30, 2008, none of the Agency's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2008, the following Agency investments were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

Certificates of Deposit	\$2,203,436
Guaranteed Investment Contract	<u>95,296</u>
	<u>\$2,298,732</u>

Note 3 - Restricted Assets:

Restricted assets were provided by, and are to be used for, the following at June 30:

<u>Funding Source</u>	<u>Use</u>	<u>2008</u>	<u>2007</u>
Capital facility fees, participation and annexation fees, proceeds of long-term debt.	Reserve funds	\$ 95,440	\$ 95,384
Capital facility fees, participation and annexation fees, proceeds of long-term debt.	Reserve funds	122,949	110,656
Proceeds of long-term debt, capital contributions and interest earnings.	Construction cost	-0-	1,325,305
Proceeds of long-term debt, capital contributions and interest earnings.	Debt service fund	316	250,940
Proceeds of note payable	Capital asset acquisition	-0-	263,234
Capital facility fees, participation and annexation fees, proceeds of long-term debt	Retention payable	<u>-0-</u>	<u>954,075</u>
		<u>\$218,705</u>	<u>\$2,999,594</u>

AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

Note 4 - Capital Assets:

The investment in capital assets consists of the following at June 30, 2008:

	<u>Balance at</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2008</u>
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 3,482,326	\$	\$	\$ 3,482,326
Construction-in-progress	<u>23,721,725</u>	<u>8,984,077</u>	<u>(24,081,189)</u>	<u>8,624,613</u>
Total Capital Assets Not Being Depreciated	<u>27,204,051</u>	<u>8,984,077</u>	<u>(24,081,189)</u>	<u>12,106,939</u>
<u>Capital Assets Being Depreciated:</u>				
Utility plant	12,229,853		(1,446,376)	10,783,477
Source of supply	641,469	391,600		1,033,069
Pumping plant	644,001			644,001
Treatment plant	21,544,601	786,869		22,331,470
Transmission and distribution	33,072,017	24,294,415		57,366,432
General plant	<u>9,531,576</u>	<u>533,562</u>		<u>10,065,138</u>
Total	77,663,517	26,006,446	(1,446,376)	102,223,587
Less: Accumulated depreciation	<u>(19,750,572)</u>	<u>(2,623,646)</u>		<u>(22,374,218)</u>
Net Capital Assets Being Depreciated	<u>57,912,945</u>	<u>23,382,800</u>	<u>(1,446,376)</u>	<u>79,849,369</u>
Net Capital Assets	<u><u>\$85,116,996</u></u>	<u><u>\$32,366,877</u></u>	<u><u>\$(25,527,565)</u></u>	<u><u>\$ 91,956,308</u></u>

Note 5 - Long-Term Debt:

Notes Payable

	<u>2008</u>	<u>2007</u>
State of California Department of Water Resources, secured by the Ridge System Project. Semi-annual payments of \$60,210 including interest at 3.0315% due each April and October. Original amount of \$2,359,032. Due April, 2028.	\$1,796,114	\$1,860,501
State of California Department of Water Resources, secured by the Hillside System Project. Semi-annual payments of \$1,444 including interest at 3.0315% due each April and October. Original amount \$50,358. Due April, 2022.	32,722	34,572

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 5 - Long-Term Debt: (Continued)

Notes Payable (Continued)

	<u>2008</u>	<u>2007</u>
State of California Water Resources Control Board, secured by Pine Grove Wastewater System. Annual payments of \$18,383 including interest at 2.8% due each November. Original amount of \$278,612. Due November, 2020. The District shall maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment of this loan.	\$ 198,004	\$ 210,491
Amador County, secured by the Central Amador Water Project. Annual payment of \$54,368 including interest at 3% due each August. Original amount \$1,065,646. Due September, 2010.	104,032	153,787
Amador County, secured by the Central Amador Water Project. Annual payment of \$40,242 including interest at 5.4% due each July 1. Original amount \$623,311. Due July, 2015.	229,515	255,936
Amador County, secured by Improvement District No. 1 capital assets. Annual payment of \$3,997 including interest at 3% due each March 31. Original amount \$82,331. Due January, 2008.	-0-	3,880
Amador County, secured by Improvement District No. 4, capital assets. Annual payment of \$2,814 including interest at 3% due each March 31. Original amount \$55,000. Due March, 2008.	-0-	2,735
United States Department of Agriculture, Rural Utilities Service, secured by the Buckhorn Water Treatment Plant. Semi-annual payments each May and November including interest at 4.25%. Original amount of \$5,000,000. Matures November, 2043.	4,790,000	4,845,000
United States Department of Agriculture, Rural Utilities Service, secured by the Buckhorn Water Treatment Plant. Semi-annual payments each May and November including interest at 2.45%. Original amount of \$840,000. Matures May, 2044.	814,000	823,000
United States Department of Agriculture, Rural Utilities Service, secured by the La Mel property. Annual payments of \$10,912 each November including interest at 4.125%. Original amount of \$212,000. Matures November, 2044.	207,576	209,833

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 5 - Long-Term Debt: (Continued)

Notes Payable (Continued)

	<u>2008</u>	<u>2007</u>
LaSalle Bank National Association, secured by general plant assets. Semi-annual payments of \$107,296 including interest at 4.1% due each February and August. Original amount of \$600,000. Due August, 2009.	\$ 309,129	\$ 505,004
Total Notes Payable	<u>\$8,481,092</u>	<u>\$8,904,739</u>

Changes in notes payable consists of the following for the year ended June 30, 2008:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>	<u>Current Portion</u>
Department of Water Resources	\$1,860,501	\$	\$(64,387)	\$1,796,114	\$ 66,580
Department of Water Resources	34,572		(1,850)	32,722	1,910
State Water Resource Control Board	210,491		(12,487)	198,004	12,837
Amador County	153,787		(49,755)	104,032	51,247
Amador County	255,936		(26,421)	229,515	-0-
Amador County	3,880		(3,880)	-0-	-0-
Amador County	2,735		(2,735)	-0-	-0-
U.S. Department of Agriculture	4,845,000		(55,000)	4,790,000	60,000
U.S. Department of Agriculture	823,000		(9,000)	814,000	10,000
U.S. Department of Agriculture	209,833		(2,257)	207,576	2,349
LaSalle Bank National Association	<u>505,004</u>		<u>(195,875)</u>	<u>309,129</u>	<u>203,988</u>
	<u>\$8,904,739</u>	<u>\$-0-</u>	<u>\$(423,647)</u>	<u>\$8,481,092</u>	<u>\$408,911</u>

Certificates of Participation

In October 1996, the Agency issued California Special Districts Finance Corporation, 1996 Z Certificates of Participation, totalling \$1,180,000 with interest rates ranging from 4.05% to 5.50%. Principal payments are due August 1st, interest is payable on August 1st and February 1st. The issue matures August 1, 2010. The principal outstanding on the 1996 Z Certificates of Participation at June 30, 2008 and 2007 totalled \$290,000 and \$390,000, respectively.

AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

Note 5 - Long-Term Debt: (Continued)

Certificates of Participation (Continued)

In March 2006, the Amador Water Agency Financing Corporation issued \$23,240,000 Amador Water System Revenue Certificates of Participation, 2006 Series A. A portion of the proceeds were used to extinguish \$910,000 of the California Special Districts Finance Corporation, 1996 Series AA Certificates of Participation. Net proceeds of approximately \$946,144 were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payment on the 1996 Series AA Certificates of Participation. As a result, the 1996 Series AA Certificates of Participation are considered to be defeased and the liability for the debt has been removed from the District's financial statements. The principal amount outstanding on the 2006 Series A Certificates of Participation at June 30, 2008 and 2007 totalled \$23,240,000, respectively.

Although the refunding resulted in a deferred amount on refunding of \$71,410, the District in effect reduced its aggregate debt service payments by approximately \$301,344, over the next 10 years and obtained an economic gain of approximately \$60,659. The deferred amount on refunding is being amortized over the life of the refunded debt. The 2006 Series A Certificates of Participation are payable in annual installments including principal and interest at rates ranging from 4% to 5% and mature in June 2036.

Changes in Certificates of Participation consisted of the following at June 30, 2008:

	<u>Balance at</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2008</u>	<u>Current</u> <u>Portion</u>
California Special District's Finance Corporation 1996 Z Certificates of Participation	\$ 390,000	\$	\$(100,000)	\$ 290,000	\$150,000
Amador Water System Revenue Certificates of Participation, 2006 Series A	<u>23,240,000</u>	<u>—</u>	<u>—</u>	<u>23,240,000</u>	<u>275,000</u>
	23,630,000	-0-	(100,000)	23,530,000	<u>\$425,000</u>
Unamortized discount and premium	461,806		(13,757)	448,049	
Deferred amount on refunding	<u>(86,350)</u>	<u>-0-</u>	<u>16,776</u>	<u>(69,574)</u>	
	<u>\$24,005,456</u>	<u>\$-0-</u>	<u>\$ (96,981)</u>	<u>\$23,908,475</u>	

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 5 - Long-Term Debt: (Continued)

Debt service requirements of long-term are as follows:

	<u>Certificates of Participation</u>		<u>Notes Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 425,000	\$ 1,088,475	\$ 408,911	\$ 334,065	\$ 833,911	\$ 1,422,540
2010	545,000	1,071,588	341,885	317,226	886,885	1,388,814
2011	550,000	1,049,012	193,085	306,262	743,085	1,355,274
2012	505,000	1,027,825	197,275	298,869	702,275	1,326,694
2013	525,000	1,007,625	208,923	290,866	733,923	1,298,491
2014 - 2018	2,965,000	4,704,925	1,080,387	1,328,096	4,045,387	6,033,021
2019 - 2023	3,610,000	4,059,425	1,119,181	1,125,034	4,729,181	5,184,459
2024 - 2028	4,495,000	3,173,500	1,275,141	905,798	5,770,141	4,079,298
2029 - 2033	5,735,000	1,931,500	883,814	688,568	6,618,814	2,620,068
2034 - 2038	4,175,000	424,250	1,088,491	478,928	5,263,491	903,178
2039 - 2043			1,330,665	211,433	1,330,665	211,433
2044 - 2048			353,334	4,867	353,334	4,867
	<u>\$23,530,000</u>	<u>\$19,538,125</u>	<u>\$8,481,092</u>	<u>\$6,290,012</u>	<u>\$32,011,092</u>	<u>\$25,828,137</u>

Note 6 - Other Liability:

On October 30, 1992 the Agency entered into a Utility Agreement with the California Department of Transportation (Cal-Trans), whereby Cal-Trans would advance the Agency the necessary costs for relocating Agency facilities on Highway 49 to make way for a Cal-Trans project. The Utility Agreement did not define the parties' respective liabilities for certain disputed relocation costs. After execution of the Utility Agreement, Cal-Trans advanced to the Agency \$511,000 for relocation of the Agency's Highway 49 utility facilities. Of that amount, Cal-Trans accepted responsibility for approximately \$65,172. The Agency disputed responsibility for the remaining amount or approximately \$445,828. Cal-Trans has not filed a claim or taken any action against the Agency in seeking recovery of the disputed amount. The Agency has recorded the advance of \$445,828 as a noncurrent liability in the statement of net assets.

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Note 7 - Defined Benefit Pension Plan:

Plan Description

The Agency's defined benefit pension plan, (the "Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employee's Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Agency resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, California 95814.

Funding Policy

Active plan members in the Plan are required to contribute 7% of their annual covered salary. The Agency has elected to fund the employee contribution as part of the employee's benefit package. The Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by CalPERS Board of Administration. The required employer contribution rate was 10.175% of annual covered payroll for the year ended June 30, 2008. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For the fiscal years ended June 30, 2008, the Agency's annual pension cost and actual contributions were \$615,456. The required contribution for the fiscal year ended June 30, 2008 was determined as part of the June 30, 2005 actuarial valuation.

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 7 - Defined Benefit Pension Plan: (Continued)

Annual Pension Cost (Continued)

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization	Level Percentage of Payroll
Average Remaining Period	17 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and amortized over a rolling 30-year period. Finally, if a pool's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

Risk pooling was implemented in June 2003. At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the Agency's plan. The side fund is credited, on an annual basis, with the actuarial investment return assumption, currently 7.75%. A positive side fund will cause the required employer contribution rate to be reduced. A negative side fund will cause the required employer contribution rate to be increased by the amortization of the side fund. The Agency's side fund at June 30, 2005 had a valuation of \$(884,726) which is being amortized over a 15-year period.

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 7 - Defined Benefit Pension Plan: (Continued)

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2004	\$268,093	100%	\$-0-
June 30, 2005	374,991	100%	-0-
June 30, 2006	423,714	100%	-0-

Schedule of Funding Progress for PERS

Since the Agency's plan had less than 100 active members as of June 30, 2004, it is required to participate in a risk pool. The schedule of funding progress below shows the recent history of the risk pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability to payroll.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Status (A/B)</u>	<u>Annual Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll [(B-A)/C]</u>
June 30, 2004	\$2,460,944,656	\$2,746,095,668	\$285,151,012	89.6%	\$743,691,970	38.3%
June 30, 2005	2,588,713,000	2,891,460,651	302,747,651	89.5%	755,046,679	40.1%
June 30, 2006	2,492,226,176	2,754,396,608	262,170,432	90.5%	699,897,835	37.5%

Note 8 - Litigation:

There are several pending lawsuits in which the Agency is involved. The Agency's management and legal counsel estimate that the potential claims against the Agency not covered by insurance, resulting from such litigation would not materially affect the operations or financial condition of the Agency.

Note 9 - New Governmental Accounting Standards:

GASB No. 45

In June 2004, the Government Accounting Standards Board issued Statement No. 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension". This pronouncement is effective for the year ended June 30, 2010. This pronouncement requires significant changes to the accounting and disclosures associated with postemployment benefits (OPEB). The District has not determined the effect on the financial statements in the year of adoption.

**AMADOR WATER AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 49

In November 2006, the Governmental Accounting Standards Board issued Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations." This pronouncement is effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The District has not determined the effect on the financial statements in the year of adoption.

GASB No. 51

In June 2007, the Governmental Accounting Standards Board issued Statement No. 51 "Accounting and Financial Reporting for Intangible Assets." This pronouncement is effective for periods beginning after June 15, 2009. Retroactive reporting of these intangible assets is encouraged but not required. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The District has not determined the effect on the financial statements in the year of adoption.

GASB No. 52

In November 2007, the Governmental Accounting Standards Board issued Statement No. 52 "Land and Other Real Estate Held as Investments by Endowments". This pronouncement is effective for periods beginning after June 15, 2008, with earlier application encouraged. The Statement requires endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The Agency has no endowments at June 30, 2008 and 2007.

GASB No. 53

In June 2008, the Governmental Accounting Standards Board issued Statement No. 53 "Accounting and Financial Reporting for Derivative Investments". This pronouncement is effective for periods beginning after June 15, 2009 with earlier application encouraged. The Statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared on the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The Agency held no derivative instruments at June 30, 2008 and 2007.

AMADOR WATER AGENCY
STATEMENT OF NET ASSETS BY RATE AREA
JUNE 30, 2008

Amador Project	Improvement District 3	Improvement District 7	Wastewater	Improvement District 11	Improvement District 12	CAWP Retail	Eliminations	Total
	\$ (231,057)	\$ (326,459)	\$ (460,419)	\$ (1,000,307)	\$ 1,524,655	\$ (490,734)	\$	\$ 3,539,260
	8,988	120,698	11,023	78,639	80,253	381,290		1,329,807
		627	6,573	4,226	17,088	102,636		304,774
		126,938	152,276					1,036,052
		60		9	1,390	21		12,224
	517	3,616	3,194	2,066	1,601	7,395		6,752
	1,552	(74,520)	(287,353)	(915,367)	1,624,987	608	-0-	128,648
								62,706
							-0-	6,420,223
	-0-	-0-	-0-	-0-	-0-	-0-		218,705
	4,703	7,610,413	3,506,994	3,730,748	6,558,982	4,707,854	-0-	218,705
								91,956,308
	-0-	-0-	-0-	-0-	-0-	-0-	(680,476)	307,900
	13,151	\$7,535,893	\$3,219,641	\$2,815,381	\$8,183,969	\$4,708,462	\$(680,476)	-0-
								307,900
								307,900
								\$98,903,136



CALIFORNIA EMERGENCY MANAGEMENT AGENCY
LOCAL ASSISTANCE MONITORING BRANCH
 3650 SCHRIEVER AVENUE
 MATHER, CALIFORNIA 95655
 PHONE: (916) 845-8120 FAX: (916) 845-8380

Mike

July 9, 2009



Audit # 05052

Mr. Jim Abercrombie
 General Manager
 Amador County Water Agency
 12800 Ridge Road
 Sutter Creek, CA 95685

SUBJECT: SINGLE AUDIT REPORT FOR THE PERIOD ENDED JUNE 30, 2008
 FIPS #005-91001

Dear Mr. Abercrombie:

Since the California Emergency Management Agency (CalEMA) (formerly the Governor's Office of Emergency Services (OES)) is subject to the requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, the CalEMA is required to monitor its subrecipients of federal awards to determine whether they have met the audit requirements of the Circular. The Circular specifically requires non-federal entities that expend \$500,000 or more in a year in federal awards to have either an annual single or program-specific audit, and that the audit report be submitted within nine months after the end of the audit period.

To date, an audit report for your organization for the year ended June 30, 2008 has not been received by the CalEMA. Accordingly, the CalEMA is requesting that you check one of the following options listed below, and return a signed copy of this letter to the above address within 30 days of its date, along with all appropriate documentation regarding your organization's compliance with the audit requirement. If findings were noted in your audit report, please include a summary of your management responses and corrective actions taken. In addition, please submit a copy of any separate letter to management mentioned in the audit report.

<input checked="" type="checkbox"/>	We have completed our A-133 audit for fiscal year(s) ended <u>June 30, 2008</u> . A copy of the audit report(s) is enclosed.
<input type="checkbox"/>	We expect our A-133 audit for fiscal year(s) ended _____ will be completed by _____. A copy of our audit report along with our management responses and corrective actions taken related to any findings will be forwarded to the CalEMA within 30 days of receipt of the report.
<input checked="" type="checkbox"/>	We are not subject to A-133 audit because: <input checked="" type="checkbox"/> We are a for-profit organization <input checked="" type="checkbox"/> We expend less than \$500,000 in federal awards annually <input type="checkbox"/> We are a component entity of the following organization and included in its A-133 audit: _____ _____ Other (please explain) _____ _____

Mr. Jim Abercrombie
July 9, 2009
Page 2

This is to certify that, to the best of our knowledge and belief, the data furnished above is accurate, complete and current.

Jim Abercrombie
Type or Print Name
7/21/09
Date

General Manager
Title
Jim Abercrombie *mf*
Signature

If you have any questions regarding this issue, please contact our office at (916) 845-8120.

Sincerely,

Catherine Lewis

CATHERINE LEWIS
INTERIM BRANCH CHIEF



12800 RIDGE ROAD, SUTTER CREEK CA 95685

•

(209) 223-3018

FAX (209) 257-5281

Letter of Transmittal

Date: July 21, 2009

California Emergency Management Agency
Local Assistance Monitoring Branch
3650 Schriever Avenue
Mather, California 95655

RE: Single Audit FIPS #005-91001

We are sending you:



Document(s)



Copy of Letter



Agreement or Contract



Other

Above items submitted:



At your request



For your information & file



For your approval



Please review & comment



For your action



Please sign & return

Please find enclosed a copy of our June 30, 2008 audit and completed letter. If you have any questions, please call me at 209-257-5207.

By: Michael J. Lee, Financial Services Manager